Scott. II-27—50,000—23-11-42.

Development (1945) Department.

(Ms) SERIES.

G.O. No. 992

Dated 12-3-1945

[Despatch Abstract.]

Coop. Societies Central Banks – South Kanara Cooperative Central Bank Ltd. – Maximum borrowing limit – Restriction regarding granting of loan to sale societies – Relaxed temporarily

C.F. 32.

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COOPERATIVE Department

Received Registered

From (Name) T.R.S.Satthianadhan, Esq., I.C.S.,
Designation Registrar of Cooperative Societies,
Station Madras.

To

The Secretary to Government,
Development Department,
Madras.

Enclosures:

RC. No. 257/45-A. dated 24-2- 194 5

Sir,

Sub: Cooperative societies - Central Banks - South Kanara Cooperative Central Bank - borrowing limit enhancement.

Ref: G.O.No.1036 Ms. Development dated 5-6-41.

In G.O.No.1036 Development dated 5-6-41, Government have empowered the Registrar to raise the credit limit of Central Banks from 10 to 12 times their owned capital (share capital and reserve fund) subject to the condition that the additional borrowing limit is utilised by the banks exclusively for financing loan and sale societies.

2. The South Kanara Cooperative Central Bank whose borrowing limit has been relaxed by me upto 12 times its owned capital, has now requested me to permit it to utilise the additional borrowing limit for issuing loans not exclusively to loan and sale societies as laid down in the G.O., but also to stores societies affiliated to it. The Central Bank wants this relaxation to enable it to finance the district-wide procurement operations under taken by the South Kanara Central Cooperative Wholesale Stores, Mangalore.

3. The present credit limit of the bank calculated at 10 times its paid up share capital and reserve fund comes to Rs.59.5 lakhs. The bank has collected share capital to the full extent of its authorised capital of Rs.5 lakhs. The Bank has passed an amendment to its bylaws raising th authorised share capital to 6 lakhs at a general meeting held on 18-2-45. This would enable the bank to collect more share capital and further increase its credit limit. The Bank, however, feels that even this increased borrowing limit will not be sufficient to meet the growing demand for funds from the Cooperative Wholesale Stores, which is estimated to go up to even Rs.70/- lakhs. The Bank over-capitalised as it is, feels that it is not desirable to go on increasing its paid up capital, and therefore reque ts the borrowing limit to be fixed at 12 times the owned capital without any restriction, so that it may finance the Cooperative wholesale stores to the fullest extent required.

4. The South Kanara Wholesale Stores is, as Government are aware, the sole procuring agent for rice and paddy in South Kanara district. It is also the sole quota holder in -respect of wheat and millets imported into the district. Under the scheme of district-wide all-out procurement, it is obliged to purchase the entire surplus stock of rice and paddy available with ryots. The Collector of the district has ordered that the ryots should sell the requisitioned stock to the wholesale stores. Large quantities of produce are being received at the various reception depots of the wholesale stores (about 150 in number) and unless the Central Bank finances the wholesale stores to the extent

p.t.o.

required, it may not be possible for it to meet its obligation under the scheme.

5. The loan and sale societies of the district have borrowed to the extent of Rs.5.20 lakhs and there is little likelihood of their transactions increasing to any considerable extent. These societies cannot, at any rate, consume the entire additional maximum credit limit of two times the owned capital of central bank viz., Rs.16 lakhs. A full complement of departmental staff consisting of 1 Cooperative Sub-Registrar, 2 Senior Inspectors and 4 Junior Inspectors, besides a number of non-official employees, are engaged in the supervision of the arrangements for procurement of rice and paddy by the Cooperative Wholesale Stores. The Accounts of the Cooperative WholesaleStores (at head office and depots) are being audited by a departmental staff of 6 Senior Inspectors and 4 Junior Inspectors. The produce is insured. So long as the ceiling prices of paddy and the retail selling price of rice are fixed by the Collector, the risk from any sudden fall in prices appears to be negligible.

6. This matter was discussed by the President, Madras Provincial Cooperative Bank and my Additional Joint Registrar, with the members of the executive committee of the South Kanara Cooperative Central Bank on the 17th instant and the President of the Provincial Bank, too, on an examination of the financial particulars of the Central Bank, is of the opinion that it is most inadvisable that the Central Bank should go on raising its share capital to meet a temporary need, that already the bank seems overcapitalised and that the present requirements will be met by removing the restriction imposed in the G.O. cited and permitting the Central Bank to utilise its full borrowings (upto 12 times its opwned capital) for financing all societies including the South Kanara Cooperative Wholesale Stores. The Collector with whom my Additional Joint Registrar had a discussion on the 17th instant, considered that the wholesale stores might require another Rs.60 lakhs for financing the procurement operations. But as releases of paddy and rice will be made every month and some money will on this account be coming in, it seems to me that there is no need to raise the borrowing limit beyond 12 times. In these circumstances, I request that Government may be pleased to relax as a special case the condition laid down in the G.O. cited and to permit the South Kanara Cooperative Central Bank to borrow up to 12 times its owned capital to finance its affiliated societies including the South Kanara Central Cooperative Wholesale Stores for a period of six months or for the duration of the war whichever is earlier. As the South Kanara District Central Cooperative Wholesale Stores is in urgent need of funds, I solicit early orders of Government.

M.G. Padmanabha
24/2

for REGISTRAR.

a.s.24/2.
24/2

Dev. Dept.

Sub:- Cooperative Societies - Central Banks. South Kanara Cooperative Central Bank Ltd Maximum borrowing limit - Restriction regarding financing of loan & sale Socs Relaxed temporarily.

CNo. 13130 B/45

78/12/3

Read again:- GO No. 1036 (Ms) Dev dated 5-6-41

pp 1-2 of

Read also:- From the Regr. of Cs, RC No. 257/45-A, dated 24-2-45

Order No. 992 dated 12-3-45
(Ms)

The Govt direct that the conditions laid down in paragraph 1 of GO No 1036 (Ms) Dev dated 5-6-41 be relaxed, as a special case, in favour of the South Kanara Cooperative Central Bank Ltd and permit the said Bank for a period of six months or till the termination of hostilities, whichever is earlier,

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to borrow upto 12 times its owned capital not only for financing loan and sale societies but also its other affiliated societies including the South Kanara District Central Coop. Wholesale Stores.

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Do the Regrs copy for S.F. — ಆದೇಶ
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NOTES

Dev. Dept

Cyo. 13130 B/45. Coop: Societies Central Banks South Kanara
From the Regr of Cs. Regr. No. 257/45-A, dated 24-2-45] --- Coop Central Bank - Maximum borrowing limit - Relaxal
Do Addl. Under Secy.

--- The maximum borrowing limit of Coopsan Central banks was originally fixed at 8 times the share capital and reserve fund. The Regr of Cs. was subsequently authorised to relax this limit at his discretion for temporary periods not exceeding one year. The limit was raised in September 1946 to 10 times the owned capital (share capital plus reserve fund). The question of the adequacy of the enhanced limit of Central banks to finance loan and sale societies was raised in 1941. The position then was that, while sale societies could borrow from Central banks on the pledge of produce without any relation to the share capital, the Central banks themselves could not borrow beyond 10 times their owned capital. In order to remedy this, the Regr proposed that he might be empowered to permit individual Central banks, for such periods as might be necessary, to exclude from their borrowings the moneys invested by them in loan and sale societies in reckoning their maximum credit limit, subject to the condition that their total borrowings — whether for financing sale societies or other credit societies — should not at any time exceed 15 times their share capital plus reserve fund. The matter was discussed by Sir Hugh Hood as A2 with the Registrar of Cs. and Sri. Ramalingam Chettiyar and it was decided to allow such Central banks as obtained the general approval of the Registrar for the purpose, to borrow upto 12 times

new owned capital, provided that they utilised the additional borrowing power exclusively to give loans to loan and sale societies. As this increase in the borrowing ~~rate~~ limit was intended solely to enable more loans to be given to loan and sale societies and not to make more funds available for other purposes, the Registrar was asked to see that the enhanced borrowing power did not result in an undue expansion of the Central Banks' other business. A

2. The Registrar has now proposed that the relaxation at A above may be relaxed (as a special case) for a period of six months or for the duration of the war, whichever is earlier, in favour of the South Kanara Co-op Central Bank in order to enable it to utilise its additional borrowing power (12 times its owned capital) not only for financing loan & sale societies but also its other affiliated societies including the South Kanara Central Co-op. Wholesale Stores. The loan and sale societies in this district have borrowed Rs 5-20 lakhs and it is stated that they cannot consume (upto) the entire additional credit limit viz Rs 13 lakhs. The Bank can increase its share capital to the extent necessary but this is considered unadvisable (as the Bank is already) over-capitalised and the present need for additional funds is (only) of a temporary character. The Registrar has not, however, explained (why) whether he himself should not relax the (10 times) limit for temporary periods not exceeding one year under the powers vested in him by G.O.No. 1277 (Ms) Rev dated 25-9-1922 or whether the Kanara Provincial Co-operative Bank

B

Cannot itself finance direct the procurement operations of the Wholesale Stores. It is for orders whether any reference to the Regr on these points will be considered necessary or whether his proposal at B m/p 2 cf will be approved.

On the presumption that G.O. 1277 dated 25.4.72 is will not superseded by subsequent relevant G.O.s such as those of 22.9.24 and 5.6.41 so far as the discretionary power vested in the R.C.S. as mentioned above is concerned it is for orders as to whether he may first be consulted w.r.t x on P.2 note and above

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1.8.45

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As procurement operations are urgent and should not be hung up for want of funds an intermediate reference to the Registrar is not necessary. The position has been clearly explained by him in his letter at pages 1-2 c.f. The only point to be considered is whether the extra borrowing power is calculated to lead to an undue expansion of the Bank's business and whether the safety of the Bank is likely to be jeopardized by allowing it to finance procurement operations undertaken by the South Kanara Central Co-operative Wholesale Stores, Mangalore.

The procurement operations are supervised by the departmental staff and as pointed out by the Registrar the risk of loss from any sudden fall in prices is negligible as the ceiling price of paddy and the retail selling price of rice are fixed by the Collector. The relaxation of the conditions laid down in the G.O. at (M) has been asked for for a period of 6 months. I think we may agree to this straightaway.

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Order in circulation at p 3 above:-

A draft order is submitted for approval

[Issued as GO No. 992 (MS) Dtd dated 12-3-45]